

PURPOSE

The purpose of the Teacher Incentive Fund is to support programs that develop and implement performance-based teacher and principal compensation systems, based primarily on increases in student achievement, in high-need schools.

GOALS

The goals of the Teacher Incentive Fund program include:

- Improving student achievement by increasing teacher and principal effectiveness;
 - Reforming teacher and principal compensation systems so that teachers and principals are rewarded for increases in student achievement;
 - Increasing the number of effective teachers teaching poor, minority, and disadvantaged students in hard-to-staff subjects; and
 - Creating sustainable performance-based compensation systems.
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ELIGIBILITY

Who is eligible to apply?

Local educational agencies (LEAs), including charter schools that are LEAs in their States; State educational agencies (SEAs); or partnerships of (1) an LEA, an SEA, a charter school, and (2) at least one non-profit organization.

Which entities may apply as a partnership?

LEAs, SEAs, and/or charter schools may apply as a partnership only if a non-profit organization is also included in the partnership. The fiscal agent for a partnership may be the LEA, the SEA, the charter school, or the non-profit organization.

May a non-profit organization apply for a grant on its own?

No. A non-profit organization may apply only as part of a partnership with an LEA, SEA, or charter school.

Is a not-for-profit college or university considered to be a non-profit agency that is eligible to apply for a Teacher Incentive Fund grant as part of a partnership?

Yes, as long as it meets the definition of non-profit in Section 77.1 of EDGAR.

Can partnerships exist between one non-profit and numerous SEAs, LEAs, and/or charter schools?

Yes, there are no pre-determined limits on the number of SEAs, LEAs and/or charter schools that may be included in the partnership application.

Can partnerships exist across state lines, or must the partnership only represent LEAs and/or charter schools within one State?

Partnerships may include SEAs, LEAs and/or charter schools that are located within different States.

Are private schools eligible to apply for these grants?

No.

If an SEA or LEA already has a differentiated compensation system operating in some districts and/or schools, may they apply for these funds?

Yes, agencies with differentiated compensation systems already in place may apply for a TIF program grant to expand their programs so that they reach additional high-need school sites or to include teachers or administrators in high-need schools who are not participating in the current system. Please note that applications for programs where systems are already in place must clearly describe, in the project narrative, the areas that will be expanded and developed through this grant program.

Can districts within States that are applying for TIF grants apply independently of their SEA? Will the SEA application be given priority over the district's application?

Both an SEA and its districts are eligible to apply separately and independently of each other. One eligible entity is not given precedence or priority over the other when applying. Before making awards, the Department will ensure that the same districts or high-need schools are not participants in multiple grants.

ALLOWABLE USES OF FUNDS

For what costs may Teacher Incentive Fund grants be used?

Program funds may be used to pay the costs of developing and implementing performance-based compensation systems for the benefit of teachers and principals in high-need schools. For example, in addition to costs associated with the incentives given to teachers and principals, other project costs could include professional development activities for those teachers in high-need schools, evaluation and analysis tools, project staff salaries at the applicant level, and reasonable travel necessary for the success of your project development and implementation.

Who may receive incentives from the differentiated compensation system?

A TIF project may focus on the design and implementation of a differentiated compensation system either for teachers and principals in high-need schools, or solely for principals of those schools where teacher compensation programs are already in effect. Applications may not propose projects for teachers only.

Only teachers and principals? Does that include assistant principals and other instructional staff, including paraprofessionals?

Yes. All instructional staff are eligible to receive incentives under this program. Principals, including assistant principals, and teachers, including instructional paraprofessionals and teaching assistants are eligible; however, custodial, cafeteria, transportation, and clerical staff are not eligible.

What is a "high-need" school?

For purposes of the TIF program, a high-need school means a school with more than 30 percent of its enrollment from low-income families, based on eligibility for free or reduced-price lunch subsidies, or other poverty measures that the State permits the LEAs to use. For middle and high schools, eligibility may be calculated on the basis of comparable data from feeder schools. (Note: Full-time teachers in schools that meet this definition may be eligible to have portions of their **Perkins Student Loan** forgiven.)

Eligibility as a high-need school is determined on the basis of the most currently available data. Applicants and grantees will need to provide the underlying enrollment and poverty data to the Department upon request.

Can the project include a school if they are just opening and does not know whether their student body is more than 30 percent eligible for free or reduced-price lunch?

No. Clear documentation, including a list of those schools proposed to be served by the grant with each of their free or reduced-price lunch eligibility rates, must be included in the application.

If performance-based compensation must be based primarily on student achievement, how can teachers of subjects such as arts, music and physical education participate in this program?

Teachers and other instructional staff may still qualify under some, but not necessarily all, of the criteria designed for the performance-based compensation system. For instance, teachers in subjects for which there are no standardized student assessments can still qualify for compensation benefits based on overall school achievement gains, on classroom evaluations, and perhaps by taking on new assignments. The Department encourages applicants to offer their own strategies by which all teachers can appropriately qualify for teacher incentives through their contributions to student achievement.

What is a classroom evaluation?

Classroom evaluation refers to the regular on-going evaluations of teachers and principals in areas such as, but not limited to: pedagogical skills, classroom

management and organization, ability to provide differential instruction, subject-matter mastery, ability to diagnose and address student learning deficiencies, and ability to provide strong instruction or instructional leadership that meets the needs of the students. Evaluations of teachers and principals must occur multiple times each year.

APPLICATION QUESTIONS

What is the performance period for these grants?

The performance period for Teacher Incentive Fund projects may be up to 60 months. The grantee should specify in its application the length of time needed to develop and implement a performance-based teacher and principal compensation system. The performance period may be less than 60 months, but no longer than 60 months. The start date for these projects is likely to be in June 2007.

How should a charter school document that it is an LEA?

Charter school applicants should include in the submitted application package a letter from their authorized chartering agency stating the school is a charter school and is considered an LEA in accordance with the State's charter law. Note: for-profit charter schools are not eligible to apply individually or as part of a partnership since they are not LEAs under the Elementary and Secondary Education Act.

Which members of a partnership must provide the required assurances and certifications?

The assurances and certifications only need to be completed by the fiscal agent (or lead applicant), not all the partners in the partnership.

The application instructions suggest limiting the narrative to 40 pages. If I submit a narrative of over 40 pages will my application be disqualified?

No, but the limit of 40 pages is strongly suggested.

Where are letters of commitment and support included in an application submitted through grants.gov?

Include all letters of commitment and support as an attachment.

Who are the key personnel in a partnership? Staff at the SEA, LEA, non-profit, or a combination?

The applicant determines the key personnel for the project. In general, the term "key personnel" includes the project director, deputy director (if applicable) and other personnel with decision-making roles within the project. Page 17 of the Teacher Incentive Fund application package requests applicants to provide curriculum vitae for no more than 5 key personnel.

May an SEA or LEAs select the specific organizations it wants to work with, or must there be a competitive process to determine this? For instance,

should an SEA application contain specific information about which non-profit organizations with experience in differential compensation issue will be included in the project, or which firm will be used to evaluate the project's progress?

While the Department is mindful that States and districts may have procedures in place for the competitive selection of vendors, peer reviewers can generally do a much better job of identifying strengths and weaknesses in applications that specifically identify participating organizations and the specific roles of those organizations.

On Form SF-424, an applicant can indicate that it is a "novice applicant." Who is considered a novice applicant under this program?

This section only pertains to programs that give special consideration to novice applicants. The Teacher Incentive Fund does not give special consideration based on this status; therefore, you may leave this section blank.

On Form SF-424, under "Estimated Funding," what is the proper amount that must be entered -- the cost for the first year of the project or for the entire 5-year period?

In the "Estimated Funding" section of the Form SF-424, the amount should represent the budget request for **year one only**.

BUDGET QUESTIONS

What is the budget period for these grants?

For a five-year grant award, each budget period would be an approximate 12 month period, in which future funding in subsequent years of the project would be considered based on a review of the grantee's annual performance report and the availability of sufficient appropriated funds. On the ED Form 524, applicants must indicate the amount of funds needed for each applicable budget year reflected on Section A. For these projects, the likely start date of the budget period will be in June 2007.

In which line items in Sections A and B of ED Form 524 should costs for differentiated compensation be included?

There are two options, depending on how an applicant treats the compensation provided to teachers and principals. If a fringe benefits rate will be applied to the added compensation or incentives for teachers and principals, it is best to include the differentiated compensation in the "personnel" line item, and the costs generated by applying the fringe benefit rate included in the "fringe benefits" line item.

If you do not plan to apply a fringe rate to the added compensation or incentives you are giving teachers and principals, you may include the differentiated compensation in the "other" line item.

Do not list the differentiated compensation in the "training stipends" line item, as this line item is not applicable for this program. Whether you choose to list your differentiated compensation in the "personnel" and "fringe benefits" line items, or the "other" line item, this must be clearly explained in the budget narrative.

How can an applicant obtain an approved indirect cost rate?

If you do not have an indirect cost rate agreement, you should apply a reasonable rate for the purposes of budgeting your proposed project. If you are awarded a grant, you would then apply for an indirect cost rate and we would apply that new rate to the direct costs associated with the project. Information about how to apply for an indirect cost rate can be found here:

<http://www.ed.gov/about/offices/list/ocfo/intro.html>

May an applicant request an increasing budget amount each year? For example, an applicant may estimate its costs at \$1 million in year 1, \$5 million in year 2, and \$8 million in years 3-5 as the project expands to include more schools and more teachers in the later years.

We strongly encourage applicants to submit proposals with level or decreasing levels of funding in years 2-5. We expect the TIF program as a whole will be level-funded over the next 5 years, and additional funding in the out-years may not be available.

What should be included in the application budget in terms of materials or services being provided by a partner?

The applicant's budget should include full and detailed information on all aspects of the costs of the project. If a partner organization will be paid for services and materials by the grant, the nature and cost of those services and materials must be described in the budget narrative. Some examples include: training and support, implementation workshops, program evaluation, community outreach, and help with collecting and analyzing data to support the payment of differential compensation.

If an SEA already has a differentiated compensation system, can it use TIF grant funds to replace some of the State funding?

Unlike many federal grant programs, TIF has no "supplement, not supplant" requirement. However, like any other ED grantee, TIF grantees would need to make sure that all federal costs are reasonable and necessary per established cost principles. An applicant with a comprehensive State-funded program already in place would have a difficult challenge in demonstrating a need for this project.

How much detail should be provided in the budget narrative?

Applicants should use their budget narrative to provide a detailed description of how they plan to use their federal grant funds. The budget narrative should be of sufficient scope and detail for the Department to determine if the costs are necessary, reasonable, and allowable. For further guidance on federal cost principles, an applicant may wish to consult OMB Circular A-21 for non-profit organizations and/or A-87 for State and local governments. (See www.whitehouse.gov/omb/circulars).

The Department strongly recommends that applicants include the following information, for each year of the project, in their budget narrative:

1) Personnel

- Provide the title and duties of each position to be compensated under this project.
- Provide the salary for each position under this project.
- Provide the amounts of time, such as hours or percentage of time, to be expended by each position under this project.
- Explain the importance of each position to the success of the project.
- Provide the basis for cost estimates or computations.
- One example includes:

Personnel: The following requested personnel will all be hired as employees of the project.	% FTE	Base Salary	Total
Project Director (1): John Doe will be responsible for the overall leadership and management of the Performance-Based Teacher and Principal Compensation Program. His qualifications are described in detail in the project on page 24 of the application.	80%	\$65,000	\$52,000

2) Fringe Benefits

- Give the fringe benefit percentages for all personnel in the project.
- Provide the basis for cost estimates or computations.

3) Travel

- Explain the purpose of the travel, how it relates to project goals, and how it will contribute to project success for all participants.
- Submit an estimate for the number of trips, points of origin and destination, and purpose of travel.
- Submit an itemized estimate of transportation and/or subsistence costs for each trip.
- Provide the basis for cost estimates or computations.
- One example includes:

Travel: Travel expenses include the average airfare of \$400 each, in addition to an amount of per diem of \$15 per meal, up to 3x a day of travel.	# Trips	\$ per Trip	Total
National Teacher Compensation Conference: This conference, which is hosted in Dallas, TX will provide technical assistance to our participating 3 districts. The total trip will last three full days. A more detailed justification for this trip is explained in the project	10 (1 Project Dir. & 3 staff per district.)	\$535	\$5,350

proposal on page 14.			
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4) Equipment

- Indicate the estimated unit cost for each item to be purchased.
- Identify each type of equipment.
- Indicate the definition of equipment used by your organization.
- Provide adequate justification of the need for items of equipment to be purchased.
- Explain the purpose of the equipment, and how it relates to project success.
- Provide the basis for cost estimates or computations.
- One example includes:

Equipment: Consistent with our organization's policy, equipment is defined as tangible, non-expendable, personal property having a useful life of more than one year and an acquisition cost of \$1,000 or more per unit.	Cost of Item	Item Description	Total
Desktop Computers (3): Three desktop computers will be needed to expand our current office and supply the needs of 3 new employees.	\$1,500	HP Desktop computer including monitor & printer	\$4,500

5) Supplies

- Provide an itemized estimate of materials and supplies by nature of expense or general category (e.g., instructional materials, office supplies, etc.).
- Explain the purpose of the supplies and how they relate to project success.
- Provide the basis for cost estimates or computations.

6) Contractual

- Provide the purpose and relation to project success.
- Describe the products to be acquired, and/or the professional services to be provided.
- Provide a brief justification for the use of the contractors selected.
- Identify the name(s) of the contracting party, including consultants, if available.
- Provide the cost per contractor.
- Provide the amount of time that the project will be working with the contractor(s).
- For professional services contracts, provide the amounts of time to be devoted to the project, including the costs to be charged to this proposed grant award.
- Provide a brief statement that you have followed the procedures for procurement under 34 CFR Parts 74.40 - 74.48 and Part 80.36.

- Provide the basis for cost estimates or computations.

7) Construction

- No costs allowed.

8) Other

- List and identify items by major type or category (e.g., communications, printing, postage, equipment rental, etc.).
- Provide the cost per item (printing = \$500, postage = \$750).
- Provide the purpose for the expenditures and relation to project success.
- Provide the basis for cost estimates or computations.

9) Total Direct Costs

- The amount that is the sum of expenditures, per budget category, of lines 1-8..

10) Indirect Costs

- Identify and apply indirect cost rate.

11) Training Stipends

- Not applicable.

12) Total Costs

- Sum total of direct costs, indirect costs, and stipends.
- Please provide total costs for each year of the project as well as grand total cost for the entire project period (up to 60 months).
- Cost-Sharing Requirement: The grantee must ensure that, in each applicable budget year, an increasing share of funds from sources other than this grant will be used to pay for earned differential compensation costs as they are phased in during the performance period. In the final year of the performance period, the grantee must ensure that at least 75 percent of the differentiated compensation costs are not paid from this grant.

If a grantee is informed that it has won a grant, must it wait until the start of the official budget period to begin work?

No. If an applicant is awarded a grant, pre-award costs are allowed up to 90 days from the start of the performance period. For instance, a grantee with an official start date of September 1 may begin carrying out project tasks as early as June, though they cannot draw down their payments until the grant has officially started.

What is the Education Department's carryover policy?

If a grantee believes they will need funds past the point of the budget period, the grantee can submit a request for a carryover approval. The grantee would need to provide, in its performance report submitted to the Department, a detailed justification for the carryover and a plan for spending the excess funds in the subsequent year of the project.

COST-SHARING REQUIREMENT**What is the cost-sharing requirement?**

For each budget year in which it will pay earned differential compensation costs as part of this project, a grantee must provide an increasing share of funds from sources other than this grant to pay for these costs as they are phased in during the performance period. In the final year of the performance period, the grantee must ensure that at least 75 percent of the differentiated compensation costs are paid from sources other than Teacher Incentive Fund grant funds. Applicants are not required to provide a cost share in budget periods when an earned differential compensation will not be awarded.

The applicant must specify in its application the amount of the cost share for each year an earned differential will be awarded. This information is to be provided in the application on Form 524 Section B, Budget Summary Non-Federal Funds. (Please see "Budget Questions" for more details.)

What is differentiated compensation?

Different levels of effectiveness, skill and performance should be recognized through different levels in compensation. Differentiated compensation for this program refers to a system of pay that is not exclusively defined by a career ladder or longevity in a job but rather by quality and effectiveness of performance. The differentiated compensation must be based primarily on improved student achievement at the school and classroom levels, and must also (a) consider classroom evaluations conducted multiple times during each school year and (b) provide educators with incentives to take on additional responsibilities and leadership roles. Beyond these statutory requirements, the differentiated compensation also may take into consideration such other factors as assignments in hard-to-staff subjects or schools.

In what year of the grant must differentiated compensation payments start?

Grantees must begin implementing the differential compensation payment systems no later than the final year of the project. For those applicants proposing a 60-month performance period, the final year will be the fifth year. Because section 75.112(b) of the Education Department General Administrative regulations (EDGAR) requires an applicant to include a narrative that describes how and when, in each budget period of a project, the applicant plans to meet the project's objectives, applications will need to include a timeline that shows when implementation of a performance-based compensation system will begin in the

budget narrative (Please see "Budget Questions" for more details about the budget narrative).

May federal funds be used to meet the cost-sharing requirement?

Federal funds may be used to meet the cost-sharing requirement only when differentiated educator compensation is an allowable expense under that program's statute and regulations.

Federal Title funds go to the SEA, and then the SEA allocates these various Title funds to districts either competitively or through a formula. Does this count as federal funds for the purposes of cost-sharing? Or is this considered State or local funds?

Any funds that originate from a federal program are considered federal funds. However, for the purposes of the TIF program, the matching funds must be non-TIF grant funds; whether they are from local, State or other federal programs does not matter.

Must each participating school and LEA individually meet the cost-sharing requirement?

The cost-sharing requirement applies to the grant as a whole, not to individual schools or LEAs. However, if (for example) an SEA is asking four districts within its State to each contribute 75 percent of their portion of differentiated compensation in the final year, this is fine so long as the applicant has this documented clearly in the budget narrative. The applicant will be required to document how it met the match requirement for the entire grant, even if those funds came from the districts served in the project.

PROGRAM QUESTIONS

May a grant application propose more than one model of differentiated compensation?

Yes, applications may propose multiple models of differentiated compensation with the intent of implementing a planned comparison before choosing a model and going to full scale. Of course, all schools participating in each model will need to satisfy eligibility requirements.

May a grantee use the products, processes, or systems, developed with TIF funds to support differentiated compensation in high-need schools, to implement differentiated compensation in other, non-high-need, schools?

Consistent with the purposes of the TIF program, grantees must use TIF funds to develop and implement differentiated compensation systems only in high-need schools. Therefore, TIF program funds may only be used to pay for the differentiated compensation for teachers and principals in high-need schools. However, once developed for the high-need schools identified in the application, the

products, processes, or systems may be used to benefit teachers and principals in non-high-need schools within the state or district without cost to the grant.

For purposes of addressing the "Need" section of the proposal, has there been regulatory clarification or definition of terms such as "high teacher turnover rate" or "high percentage of unlicensed teachers" or "high percentage of out-of-field teachers" as NCLB has been implemented?

There are no uniform definitions of the above terms. Applicants are encouraged to use current data at the State and local level to reasonably describe the need for their project.

What kind of documentation should be included in the application if the applicant intends to address Competitive Preference Priority 1 when applying?

To successfully address Competitive Preference Priority 1, an applicant must clearly demonstrate ongoing stakeholder and public support for and commitment to the proposed performance-based compensation system, both during the project period and after the TIF project period ends. For instance, an applicant may want to include commitment letters from teachers, the teacher union representative, school board members or other local officials demonstrating their support for the proposed performance-based compensation system. In the absence of having engaged all relevant sectors in support of its TIF application prior to submittal, an applicant should describe its plans for securing the ongoing support and commitment of these stakeholders and the public. In addition, applicants should provide either a copy of their incorporated status as a non-profit or a copy of their organization's 501(c)(3).

For purposes of Competitive Preference 2, what is the Department's definition of "hard-to-staff subjects"?

Hard-to-staff subjects are those for which States, districts and schools have had a history of difficulty in finding and hiring highly qualified teachers. Many States and districts have identified mathematics, science, foreign languages, and core academic subjects taught by special education teachers as areas with persistent teacher shortages.

For the peer reviewers to adequately evaluate the extent to which the applicant meets this competitive priority, applicants should provide an explanation, including recent, appropriate supporting data, for the choice of specific subjects that are considered "hard-to-staff" whose teachers would benefit from the differential compensation system.

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